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Morning Ag Markets

Pete Loewen

Closing out the week the meat complex reversed the primary trends and cattle finished aggressively weaker and hogs were up nicely on most contracts. Live cattle out performed feeders from a futures market standpoint, posting triple digit gains on the weekly chart, while feeders were trailing distantly behind at double digits higher. Cash market action was similar with the negotiated feedlot action all the way up to $170 from north to south, which was $6 over the prior week. Feeder and calf market trade on the other hand was actually disappointing with heavily mixed action on heavier weight feeders and calf prices overall were softer.

Friday afternoon brought monthly COF data with the release coming shortly after the futures trade closed. The big picture aspects of the report were still showing a mildly friendly undertone, but not nearly as much as reports from previous months. The On Feed total came in slightly under the average trade guess at 99% of a year ago. The average trade guess prior to the report was 99.7%. Placements in September were up 1% from last year compared to the pre-report guess of 101.9%. Marketings were 1% lower than last year which was dead even with the guesses.

My opinion- traders will look right past the COF report as a non-event with analysts focusing on near term fundamentals. That doesn't mean futures will move in a fundamental direction though, because on many occasions here recently the futures have been up $2+ one day only to be down $2+ the next with little if any fundamental backing. Speculative money flow is dominating cattle futures right now and volatility and daily trading ranges have been HUGE.

Cattle slg.___fri 106,000 wtd 576,000 +11k wa -43k ya

Choice Cutout__247.41 -2.02

Select Cutout___232.71 -.83

Feeder Index:___239.55 +.21

Lean Index.__100.35 -2.05

Pork cutout___98.25 -2.29

IA-S.MN direct avg__89.17 -1.91

Hog slg.___ fri 390,000 wtd 2.141 mln   -26k wa   -19k ya

Weekly closes in the meats had October live cattle up 3.20, December up 1.85, October feeders down 55 cents and January up 77. December lean hogs were down 32 cents.

Opening calls in the meats are higher in cattle, but lower in hogs.   I have a hard time imagining beef packers being as aggressive this week in the cash arena though as Friday's cutouts took a big hit and the competing meat aspect of sharply lower pork cuts recently is going to be a limiting factor in domestic demand now that the pork cutout is below the $100 mark again.

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Moving on to the grains, Friday's futures trade was very solidly in the red across corn, soybeans and wheat. KC wheat and soybeans were double digits lower on most contracts and were the downside leaders. Weekly closes told a lot different story though with beans up BIG, corn up mildly and wheat mixed. Beans were up 20+ for the week, but if it hadn't been for Friday's 15+ cent lower closes, there would have actually been a couple of bean contracts at 40 higher for the week.

Weekly closes in the grains had December corn up 5 cents, March corn up 5 ½, November soybeans up 25 ¾ and January up 23 ½.   December KC wheat was down 8, new crop July was up 2 ¼ and December Chicago wheat was down 1 ¾.

For the rational fundamental traders, it was hard to piece together another week of strong gains in beans with the gut slot of harvest in full swing across the country. This afternoon's crop progress and condition data is expected to show corn harvest at around 40-45% complete versus 31% last week. Soybeans are expected to be 70-75% done compared to 53% last week.

With the pipeline now full again and soon to be clogged with new crop after the projected record corn and bean crops are harvested, this has been a very strong counter move to the fundamentals, but a very welcome move from the farmer's viewpoint. Not very often do we get record yields in so many places and a futures price that is going up while the combines are in the field. I think it is very important that farmer's also don't look at this rally as one that is coming from a change in the longer term fundamentals. With corn carryout currently projected at 2.081 bln and 15.2% stocks to use compared to just 9.1% last year and beans at 450 mln carryout and 12.6% stocks to use compared to just 2.6% last marketing year, there is nothing bullish about the fundamentals. Don't pass up these rallies without selling a little bit of grain and rewarding them.

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